

**CITY COURT OF
LAKE CHARLES, LOUISIANA
CITY OF LAKE CHARLES, LOUISIANA
COMPONENT UNIT FINANCIAL REPORT
DECEMBER 31, 2012 AND 2011**

CITY COURT OF
LAKE CHARLES, LOUISIANA

December 31, 2012

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CITY COURT OF
LAKE CHARLES, LOUISIANA

December 31, 2012

JUDGES

Honorable John S. Hood

Honorable Thomas P. Quirk

McELROY, QUIRK & BURCH

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01694.000 Audit 12/31/2012 1100.000 financial report

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CFE - Certified Fraud Examiner
CFP - Certified Financial Forensics
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CVA - Certified Valuation Analyst
CFP - Certified Financial Planner

REPORT OF INDEPENDENT AUDITORS

Honorable John S. Hood
Honorable Thomas P. Quirk
City Court of Lake Charles
Lake Charles, Louisiana

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City Court of Lake Charles, Louisiana, a component unit of the City of Lake Charles, Louisiana, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the City Court's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City Court of Lake Charles, Louisiana, as of December 31, 2012 and 2011, and the changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 13 and supplementary information as described in the table of contents on pages 32 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2013, on our consideration of the City Court of Lake Charles, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City Court of Lake Charles' internal control over financial reporting and compliance.

Ms Elroy Quirk & Burch

Lake Charles, Louisiana
June 26, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Lake Charles City Court's financial performance provides an overview of the City Court's financial activities for the years ended December 31, 2012 and 2011.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of City Court as a whole and present a longer-term view of the City Court's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City Court's operations in more detail than the government-wide statements by providing information about the City Court's most significant funds. The remaining statements provide financial information about activities for which the City Court acts solely as an agent for the benefit of those outside of the government.

Reporting the City Court as a Whole

The Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the City Court as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City Court's net position and changes in them. The City Court's net position - the difference between assets and liabilities - as one way to measure the City Court's financial position. Over time, increases or decreases in the City Court's net position are one indicator of whether its financial health is improving or deteriorating.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City Court as a whole. Some funds are required to be established by State law. However, the City Court establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain money. City Court's governmental fund uses a certain account approach described below:

Governmental funds - All of the City Court's basic services are reported in governmental funds, except for one fiduciary fund. The governmental fund focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City Court's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City Court's programs.

Reporting the City Court's Fiduciary Responsibilities

The City Court is the agent, or fiduciary for the civil fund. All the City Court's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the City Court's other financial statements because the City Court cannot use these assets to finance its operations. The City Court is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CITY COURT AS A WHOLE

For the years ended December 31, 2012 and 2011, net position changed as follows:

	<u>2012</u>	<u>2011</u>
Beginning net position	\$ 3,979,641	\$ 2,841,274
Increase in net position	<u>136,564</u>	<u>1,138,367</u>
Ending net position	<u>\$ 4,116,205</u>	<u>\$ 3,979,641</u>

The increase in net position was lower than 2011 because 2011 had large collections for new court building. The Court also saw a decrease in revenue due to a declining number of tickets being paid.

An additional reason for the increase in net position is due to the bill RS 13:1907 being passed for City Court stating that the civil fee account and such fee or cost has remained unclaimed in excess of five years and upon receipt of evidence that notice has been provided or attempted at the last known address to the person who would be due a refund, the judge of the court may transfer the amount of the surplus to the general operational fund of the court. The unclaimed amounts at December 31, 2012 and 2011 were \$51,170 and \$58,932, and were recorded in the general fund as revenue.

Governmental Activities

This section will show a condensed financial comparison of revenues and expenses and provide explanations for significant differences. To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. It also identifies how much each function draws from the general revenues or if it is self-financing through fees. Some of the individual line item revenues reported for each function are:

Administration (general government)

Fees earned from violation tickets paid

Judicial

Fees earned through violation tickets paid but restricted to not pay Judge's salary/retirement

Judicial Building

Fees collected for current rent, maintenance and future building for City Court

	Functions/Programs			Totals	
	Administration	Judicial	Judicial Building	2012	2011
Expenses:					
Salaries and benefits	\$ 114,907	\$ 185,584	\$ -	\$ 300,491	\$ 272,770
Materials and supplies	47,232	16,907	-	64,139	41,298
Professional development and training	42,593	10,059	-	52,652	44,285
Rent	-	-	66,657	66,657	66,811
Other expenses	31,870	40,445	-	72,315	72,224
Building expenses	-	-	212,396	212,396	210,000
Depreciation	14,182	5,043	-	19,225	19,050
Total expenses	250,784	258,038	279,053	787,875	726,438
Program revenues:					
Charges for services	87,735	276,152	-	363,887	430,062
Intergovernmental revenue	-	-	-	-	750,000
Judicial building collections	-	-	292,557	292,557	382,635
General revenues	-	-	-	267,995	302,108
Total revenues	87,735	276,152	292,557	924,439	1,864,805
Change in net position				\$ 136,564	\$ 1,138,367

THE CITY COURT'S FUNDS

The fund balance of the City Court's general fund and special revenue fund increased by \$133,207 during the year ended December 31, 2012. The increase in net position is lower than prior year due to decrease in number of tickets paid and a decrease in intergovernmental revenue.

The following schedule presents a summary of the general and special revenue funds and expenditures for the years ended December 31, 2012 and 2011. Also presented on the schedules are the amounts and percentages of increase or decrease from amounts for the year ended December 31, 2011.

	Totals		Change	%
	2012	2011	from 2011	Variance
Revenues:				
Charge for services	\$ 363,887	\$ 430,062	\$ (66,175)	-15.4%
Court cost and fines	242,171	287,713	(45,542)	-15.8%
Interest income	3,772	3,380	392	11.6%
Intergovernmental revenue	-	750,000	(750,000)	-100.0%
Miscellaneous income	22,052	11,055	10,997	99.5%
Judicial building collections	292,557	382,635	(90,078)	-23.5%
Total revenues	<u>\$ 924,439</u>	<u>\$ 1,864,845</u>	<u>\$ (940,406)</u>	<u>-50.4%</u>

- * Charges for services decreased due to lower number of tickets being paid.
- * Court cost and fines decreased due to lower number of tickets being paid.
- * Intergovernmental revenue decreased due to prior year one-time revenue from CPPJ for the new court building.
- * Miscellaneous income has increased due to fluctuation in credit card rates and charges.
- * Judicial building collections decreased due to decreases in other revenues.

	Totals		Change	%
	2012	2011	from 2011	Variance
Expenditures:				
Bank service charges	\$ 99	\$ 471	\$ (372)	-78.9%
Dues and subscriptions	9,209	10,265	(1,056)	-10.3%
Maintenance	3,646	3,226	420	13.0%
Miscellaneous	48,535	50,555	(2,020)	-4.0%
Office expense	54,904	31,032	23,872	76.9%
Professional development and training	52,677	44,286	8,391	18.9%
Rent	66,657	66,811	(154)	-0.2%
Retirement	52,839	42,484	10,355	24.4%
Salaries	247,653	230,286	17,367	7.5%
Taxes-payroll	9,594	8,714	880	10.1%
Telephone	10,441	9,297	1,144	12.3%
Intergovernmental transfer	212,396	210,000	2,396	1.1%
Capital outlay	22,582	34,552	(11,970)	-34.6%
Total expenditures	<u>\$ 791,232</u>	<u>\$ 741,979</u>	<u>\$ 49,253</u>	<u>6.6%</u>

- * Bank service charges decreased due to changing banks.
- * Miscellaneous expense decreased due to lower number of ad campaigns in the current year.
- * Office expense increased due to miscellaneous items needed for new courthouse and moving.
- * Professional development and training increased due to court reporters having to travel for training.
- * Retirement, salaries, & taxes increased due to the court supplementing a portion of the employee pay.
- * Capital outlay decreased due to not as much being purchased this year as the prior year.

SIGNIFICANT BUDGET VARIANCES

Over the course of the year, the City Court revised the general fund and special revenue fund budgets one time. This amendment decreased budgeted revenues and expenditures by \$94,875 and \$1,567, respectively. A list of the major changes from the original budget and explanations for those changes are as follows:

Revenue:

\$15,000 Charges for services: Decreased due to less tickets and civil filings being paid than anticipated.

\$30,000 Court cost and fines: Decreased due to less tickets and civil filings being paid than anticipated.

\$50,000 Judicial Building: Decreased due to less tickets being paid than anticipated and lower amount of funds coming in to support building of court house.

Expenses:

\$2,400 Miscellaneous: Increased due to more contract workers than budgeted for.

\$5,826 Office: Increased due to miscellaneous items needed for new courthouse.

\$10,000 Salaries: Decreased due to the court having a change in staff.

CAPITAL ASSETS

At the end of December 31, 2012 and 2011, the City Court had \$474,085 and \$451,503 in capital assets. City Court does not have infrastructure of assets to report. This represents a net increase of \$22,582 and \$34,551 over the last two years due to the purchase of new computers, printers, video equipment, software and furniture for new courthouse.

	<u>2012</u>	<u>2011</u>
Equipment (i.e., computers, copy machines)	\$ 446,312	\$ 434,489
Furniture and fixtures (i.e., desks, chairs & filing cabinets)	<u>27,773</u>	<u>17,014</u>
	<u>\$ 474,085</u>	<u>\$ 451,503</u>

Difference: \$22,582 computers, printers, software & video equipment purchased.

ECONOMIC FACTORS AND NEXT YEAR'S RATES

Officers should be more on the lookout and possibly issuing more tickets for people taking chances, creating an increase in fines and court cost in the coming years. The court has now started turning over older tickets to a collection company that contacts people to get their tickets paid and so an increase in collections is projected. Also, in 2012 a Court house was started and so more activity will take place with Judicial Building Funds.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the City Court's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Court Clerk's office at PO Box 1664; Lake Charles, Louisiana.

Rebecca Liles
City Court Comptroller

CITY COURT OF
LAKE CHARLES, LOUISIANA

STATEMENTS OF NET POSITION - GOVERNMENTAL FUNDS
December 31, 2012 and 2011

ASSETS	<u>2012</u>	<u>2011</u>
Current assets:		
Cash	\$ 1,741,717	\$ 1,648,236
Cash - restricted	-	-
Due from other funds	<u>227,192</u>	<u>195,241</u>
Total current assets	<u>1,968,909</u>	<u>1,843,477</u>
Noncurrent assets:		
Cash - restricted	2,105,770	2,097,314
Capital assets (net)	<u>51,793</u>	<u>48,436</u>
Total noncurrent assets	<u>2,157,563</u>	<u>2,145,750</u>
Total assets	<u>4,126,472</u>	<u>3,989,227</u>
Liabilities:		
Accounts payable	4,460	3,450
Due to other agencies	<u>5,807</u>	<u>6,136</u>
Total liabilities	<u>10,267</u>	<u>9,586</u>
Net position		
Net investment in capital assets	51,793	48,436
Restricted-judicial building	2,105,770	2,097,314
Restricted-judicial expense	1,042,655	970,354
Unrestricted	<u>915,987</u>	<u>863,537</u>
Total net position	<u>\$ 4,116,205</u>	<u>\$ 3,979,641</u>

The accompanying notes are an integral part of these statements.

CITY COURT OF
LAKE CHARLES, LOUISIANA

STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
Year Ended December 31, 2012

	<u>Functions/Programs</u>			
	<u>Administration</u>	<u>Judicial</u>	<u>Judicial Building</u>	<u>Total</u>
Expenses:				
Salaries and benefits	\$ 114,907	\$ 185,584	\$ -	\$ 300,491
Materials and supplies	47,232	16,907	-	64,139
Professional development and training	42,593	10,059	-	52,652
Rent	-	-	66,657	66,657
Other program expense	31,870	40,445	-	72,315
Building expense	-	-	212,396	212,396
Depreciation	14,182	5,043	-	19,225
Total expenses	250,784	258,038	279,053	787,875
Program revenues:				
Charges for services	87,735	276,152	-	363,887
Judicial building collections	-	-	292,557	292,557
Net program expense (income)	\$ 163,049	\$ (18,114)	\$ (13,504)	131,431
General revenues:				
Interest				3,772
Miscellaneous				22,052
Violations income				242,171
Total general revenues				267,995
Change in net position				136,564
Net position - beginning				3,979,641
Net position - ending				\$ 4,116,205

The accompanying notes are an integral part of these statements.

CITY COURT OF
LAKE CHARLES, LOUISIANA

STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
Year Ended December 31, 2011

	<u>Functions/Programs</u>			
	<u>Administration</u>	<u>Judicial</u>	<u>Judicial Building</u>	<u>Total</u>
Expenses:				
Salaries and benefits	\$ 98,176	\$ 174,594	\$ -	\$ 272,770
Materials and supplies	35,456	5,842	-	41,298
Professional development and training	33,163	11,122	-	44,285
Rent	-	-	66,811	66,811
Other program expense	34,339	37,885	-	72,224
Building expense	-	-	210,000	210,000
Depreciation	16,873	2,177	-	19,050
Total expenses	218,007	231,620	276,811	726,438
Program revenues:				
Charges for services	122,455	307,607	-	430,062
Intergovernmental revenue	-	-	750,000	750,000
Judicial building collections	-	-	382,635	382,635
Net program expense (income)	\$ 95,552	\$ (75,987)	\$ (855,824)	(836,259)
General revenues:				
Interest				3,340
Miscellaneous				11,055
Violations income				287,713
Total general revenues				302,108
Change in net position				1,138,367
Net position - beginning				2,841,274
Net position - ending				\$ 3,979,641

The accompanying notes are an integral part of these statements.

CITY COURT OF
LAKE CHARLES, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2012
With Comparative Totals for December 31, 2011

ASSETS	General Fund	Special Revenue Fund	Total Governmental Funds	
			2012	2011
Current assets:				
Cash	\$ 699,062	\$ 1,042,655	\$ 1,741,717	\$ 1,648,236
Due from other funds	<u>227,192</u>	<u>-</u>	<u>227,192</u>	<u>195,241</u>
Total current assets	926,254	1,042,655	1,968,909	1,843,477
Restricted assets:				
Cash	<u>2,105,770</u>	<u>-</u>	<u>2,105,770</u>	<u>2,097,314</u>
Total assets	<u>\$ 3,032,024</u>	<u>\$ 1,042,655</u>	<u>\$ 4,074,679</u>	<u>\$ 3,940,791</u>
LIABILITIES				
Current liabilities (payable from current assets):				
Accounts payable	\$ 4,460	\$ -	\$ 4,460	\$ 3,450
Due to other agencies	<u>5,807</u>	<u>-</u>	<u>5,807</u>	<u>6,136</u>
Total current liabilities payable from current assets	<u>10,267</u>	<u>-</u>	<u>10,267</u>	<u>9,586</u>
FUND BALANCES				
Fund balance:				
Restricted	-	1,042,655	1,042,655	970,354
Assigned	2,105,770	-	2,105,770	2,097,314
Unassigned	<u>915,987</u>	<u>-</u>	<u>915,987</u>	<u>863,537</u>
Total fund balance	<u>3,021,757</u>	<u>1,042,655</u>	<u>4,064,412</u>	<u>3,931,205</u>
Total liabilities and fund balances	<u>\$ 3,032,024</u>	<u>\$ 1,042,655</u>		
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$422,292			<u>51,793</u>	<u>48,436</u>
Net position of government activities			<u>\$ 4,116,205</u>	<u>\$ 3,979,641</u>

The accompanying notes are an integral part of these statements.

CITY COURT OF
LAKE CHARLES, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS

Year Ended December 31, 2012

With Comparative Totals for Year Ended December 31, 2011

	General Fund	Special Revenue Fund	Total Governmental Funds	
			2012	2011
Revenues:				
Charges for services	\$ 87,735	\$ 276,152	\$ 363,887	\$ 430,062
Court costs and fines	242,171	-	242,171	287,713
Interest income	3,120	652	3,772	3,380
Intergovernmental revenue	-	-	-	750,000
Miscellaneous	19,196	2,856	22,052	11,055
Judicial building collections	292,557	-	292,557	382,635
Total revenues	<u>644,779</u>	<u>279,660</u>	<u>924,439</u>	<u>1,864,845</u>
Expenditures:				
Current:				
Bank service charges	99	-	99	471
Dues and subscriptions	6,419	2,790	9,209	10,265
Maintenance	3,646	-	3,646	3,226
Miscellaneous	11,553	36,982	48,535	50,555
Office expense	40,787	14,117	54,904	31,032
Professional development and training	52,652	25	52,677	44,286
Rent	66,657	-	66,657	66,811
Retirement	52,839	-	52,839	42,484
Salaries	108,430	139,223	247,653	230,286
Taxes - payroll	9,594	-	9,594	8,714
Telephone	6,978	3,463	10,441	9,297
Intergovernmental transfer	212,396	-	212,396	210,000
Capital outlay	11,823	10,759	22,582	34,552
Total expenditures	<u>583,873</u>	<u>207,359</u>	<u>791,232</u>	<u>741,979</u>
Excess (deficiency) of revenues over expenditures	60,906	72,301	133,207	1,122,866
Fund balances - beginning	<u>2,960,851</u>	<u>970,354</u>	<u>3,931,205</u>	<u>2,808,339</u>
Fund balances - ending	<u>\$ 3,021,757</u>	<u>\$ 1,042,655</u>	<u>\$ 4,064,412</u>	<u>\$ 3,931,205</u>

(continued on next page)

CITY COURT OF
LAKE CHARLES, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS

Year Ended December 31, 2012

With Comparative Totals for Year Ended December 31, 2011

	Total Governmental Funds	
	2012	2011
Reconciliation of the change in fund balances-total governmental funds to the change in net position of governmental activities:		
Net change in fund balances-total governmental funds	\$ 133,207	\$ 1,122,866
Amounts reported for governmental activities in the statement of activities are different because: Governmental funds report capital outlays while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized	22,582	34,551
Depreciation expense	(19,225)	(19,050)
Change in net position of governmental activities	<u>\$ 136,564</u>	<u>\$ 1,138,367</u>

The accompanying notes are an integral part of these statements.

CITY COURT OF
LAKE CHARLES, LOUISIANA

STATEMENTS OF NET POSITION - FIDUCIARY FUNDS
December 31, 2012 and 2011

ASSETS	Agency Funds	
	2012	2011
Cash	\$ 488,458	\$ 455,649
Receivables for civil cases	<u>11,679</u>	<u>3,193</u>
Total assets	<u>\$ 500,137</u>	<u>\$ 458,842</u>
LIABILITIES		
Accounts payable	\$ 966	\$ 481
Deposits held for disposition of civil cases	271,979	263,120
Due to other funds	<u>227,192</u>	<u>195,241</u>
Total liabilities	<u>\$ 500,137</u>	<u>\$ 458,842</u>

The accompanying notes are an integral part of these statements.

CITY COURT OF
LAKE CHARLES, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. Summary of Significant Accounting Policies

The City Court of Lake Charles, Louisiana (City Court) is responsible for judicial court hearings held for the City of Lake Charles, Louisiana (City).

The financial statements of the City Court have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City Court applies all relevant GASB pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City Court does not apply FASB pronouncements or APB opinions issued after November 30, 1989. The City Court's more significant accounting policies are described below.

A. Financial Reporting Entity

The accompanying financial statements include the various activities that are within the control and authority of the City Court. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 of the Governmental Accounting Standards Board. This statement defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based on the foregoing criteria, the City Court is a component unit of the City and has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of the City Court.

B. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Internal service fund activity is eliminated to avoid doubling up revenues and expenses. Fiduciary funds are also excluded from the government-wide financial statements.

The Statement of Net Position and the Statement of Activities report financial information for the City Court as a whole so that individual funds are not displayed. However, the Statement of Activities reports the expense of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) court cost charges to users for the City Court's services; (2) court cost charges which finance annual building rental and maintenance. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

FUND FINANCIAL STATEMENTS

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into three generic fund types and two broad fund categories as follows:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the City Court. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - Special Revenue Funds are used to account for all specific revenue sources that are legally restricted to expenditures for specified purposes.

FIDUCIARY FUND TYPES

Agency Fund - The Agency Fund is used to account for assets held by the City Court as an agent for individuals, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results in operations.

C. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures (or expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds. The primary effect of internal activity (between or within funds) has been eliminated from the government-wide financial statements.

In the fund financial statements, governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The City Court currently has one agency fiduciary fund. Agency funds are unlike all other types of funds, reporting only assets and liabilities. Therefore agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

D. Budgets and Budgetary Accounting

The Comptroller prepares a proposed budget and submits it to the City Court Judges prior to the beginning of each fiscal year. The operating budget includes proposed expenditures and the means of financing them.

Any revisions that alter total expenditures of any fund must be approved by the Judges. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. All budgetary appropriations lapse at the end of each fiscal year.

Budgets for the General and Special Revenue Funds are adopted on a modified accrual basis of accounting. Budgeted amounts are as originally adopted, or as amended by the City Court Judges.

E. Cash

The City Court's cash is considered to be cash on hand and demand deposits.

F. Restricted Assets

These assets consist of cash deposits restricted for various purposes as detailed in Note 4.

G. Capital Assets and Depreciation

The Accounting and reporting treatment applied to capital assets associated with a fund are determined by their measurement focus. General capital assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The minimum capitalization threshold is any individual item with a total cost greater than \$1,000.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings	15 to 40 years
Improvements, other than buildings	5 to 40 years
Machinery and equipment	3 to 15 years
Furniture and fixtures	3 to 10 years

H. Deferred Outflows of Resources and Deferred Inflows of Resources

In some instances, the GASB requires a government to delay recognition of decreases in net position as expenditures until a future period. In other instances, governments are required to delay recognition of increases in net position as revenues until a future period. In these circumstances, deferred outflows of resources and deferred inflows of resources result from the delayed recognition of expenditures or revenues, respectively.

I. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

J. Net Position

Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be placed on the use, either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

K. New Accounting Pronouncements

During the fiscal year ended December 31, 2012, the Court adopted GASB 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65, Items Previously Reported as Assets and Liabilities. The statement clarifies the appropriate reporting of deferred outflows of resources or deferred inflows of resources to ensure consistency in financial reporting. The provisions of GASB Nos. 65 must be implemented by the Court for the year ending December 31, 2013. The effect of implementation on the Court's financial statements has not yet been determined.

2. Compliance and Accountability

Deposit laws and regulations (restricted assets):

Judicial Building Fund - In accordance with Louisiana Statute RS 13:1899, the City Court collects a filing fee and places it in an account dedicated exclusively to the acquisition, leasing, construction, equipping and maintenance of new and existing city courts.

Judicial Expense Fund - In accordance with Louisiana Statute RS 13:996, the City Court collects from every person from payment of court costs, an additional sum to be placed in a separate account designated as the Judicial Expense Fund. This fund is established and may be used for any purpose or purposes connected with, incidental to or related to the proper administration or function of the City Court. No salary may be paid from the Judicial Expense Fund to any of the judges of the City Court.

Building Maintenance Fund - In accordance with Louisiana Statute RS 13:2080.1, the City Court collects from every person filing any type of civil suit or proceeding and who is not otherwise exempt by law from payment of court cost, an additional sum to be placed in a separate account designated as the Building Maintenance Fund. This fund is established and may be used for any capital improvements for the building housing the city court.

3. Cash

In accordance with a fiscal agency agreement which is approved by the City Judges, the City Court maintains demand and time deposits through an administrator bank at participating local depository banks which are members of the Federal Reserve System.

Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. Government, obligations issued or guaranteed by an agency established by the U.S. Government, general obligation bonds of any state of the U.S., or any Louisiana parish, municipality, or school district. The City Court's bank and demand and time deposits at year end were not fully collateralized. See schedule of findings and questioned costs item 2012-02.

The deposits at December 31, 2012 are as follows:

December 31, 2012	<u>Demand Deposits</u>
Carrying amount	\$ <u>4,414,890</u>
Bank balances:	
a. Federally insured	\$ 500,000
b. Collateralized by securities held by the Pledging financial institution	3,800,562
c. Uncollateralized and uninsured	<u>114,328</u>
Total bank balances	\$ <u>4,414,890</u>

4. Restricted Assets - Cash

Restricted assets described in Note 2 as of December 31, 2012 and 2011, are as follows:

	<u>2012</u>	<u>2011</u>
Cash deposits:		
Judicial building fund	\$ 1,918,448	\$ 1,956,175
Judicial expense fund	-	-
Building maintenance fund	<u>187,322</u>	<u>141,139</u>
Total restricted cash	<u>\$ 2,105,770</u>	<u>\$ 2,097,314</u>

5. Capital Assets

Capital asset activity for the year ending December 31, 2012, was as follows:

	Balance 1/1/12	Additions	Deletions	Balance 12/31/12
Governmental activities:				
Equipment	\$ 434,489	\$ 11,823	\$ -	\$ 446,312
Furniture and fixtures	17,014	10,759	-	27,773
Totals at historical cost	<u>451,503</u>	<u>22,582</u>	<u>-</u>	<u>474,085</u>
Less accumulated depreciation:				
Equipment	388,330	17,059	-	405,389
Furniture and fixtures	14,737	2,166	-	16,903
Total accumulated depreciation	<u>403,067</u>	<u>19,225</u>	<u>-</u>	<u>422,292</u>
Governmental activities capital assets, net	<u>\$ 48,436</u>	<u>\$ 3,357</u>	<u>\$ -</u>	<u>\$ 51,793</u>

Capital asset activity for the year ending December 31, 2011, was as follows:

	Balance 1/1/11	Additions	Deletions	Balance 12/31/11
Governmental activities:				
Equipment	\$ 399,938	\$ 34,551	\$ -	\$ 434,489
Furniture and fixtures	17,014	-	-	17,014
Totals at historical cost	<u>416,952</u>	<u>34,551</u>	<u>-</u>	<u>451,503</u>
Less accumulated depreciation:				
Equipment	370,106	18,224	-	388,330
Furniture and fixtures	13,911	826	-	14,737
Total accumulated depreciation	<u>384,017</u>	<u>19,050</u>	<u>-</u>	<u>403,067</u>
Governmental activities capital assets, net	<u>\$ 32,935</u>	<u>\$ 15,501</u>	<u>\$ -</u>	<u>\$ 48,436</u>

6. Fund Balance

In accordance with Government Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, City Court classifies governmental fund balances as follows:

Non-spendable -

includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted -

includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained or due to constitutional provisions or enabling legislation.

Committed -

includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority (the Judges) and does not lapse at year end. Formal action by the same authority is required to rescind such a commitment.

Assigned -

includes fund balance amounts that are intended to be used for specific purposes which that are neither considered restricted or committed. Fund balance may be assigned by the Judges.

Unassigned -

includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

City Court uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

City Court does not have a formal minimum fund balance policy.

7. Retirement Benefits

Louisiana State Employees' Retirement System (LASERS):

Plan description:

The City Court Judges participate in the LASERS, a cost sharing municipal employer defined benefit pension plan administered by a separate Board of Trustees. LASERS provide retirement, disability and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. LASERS issue a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Louisiana's State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana, 70804-4213, or by calling (225)922-0600.

Funding policy:

The City Court Judges are required by Louisiana State Statute to contribute 11.5% of their annual covered salary and the City Court is required to contribute at an actuarially determined rate. The employer rates for 2012, 2011, and 2010 were 34.8%, 31.8%, and 22.0%, of annual covered payroll. The contribution requirements of plan members and the employer are established by, and may be amended by, state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year fiscal year. The City Court's contributions to LASERS for the years ended December 31, 2012, 2011, and 2010 were \$46,361, \$37,010, and \$27,119, and were equal to the required contribution for the years.

8. Pension Plan

Municipal Employees Retirement System:

Plan description:

The Lake Charles City Court contributes to the Municipal Employees Retirement System of Louisiana, a cost-sharing multiple-employer plan administered by the Municipal Employees Retirement System, State of Louisiana. The Municipal Employees Retirement System of Louisiana was established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana to provide retirement benefits to employees of all incorporated villages, towns and cities within the State, which did not have their own retirement systems and which elected to become members of the system. The System is administered by a Board of Trustees composed of nine members, six of whom shall be active and contributing members of the System with at least ten years creditable service, elected by the members of the System; one of whom shall be the president of the Louisiana Municipal Association who shall serve as an ex-officio member during his tenure; one of whom shall be the Senate Retirement Committee; one of whom shall be the Chairman of the House Retirement Committee of the Legislature of Louisiana. Act #569 of the year 1968 established by the Legislature of the State of Louisiana provides an optional method for municipalities to cancel Social Security and come under supplementary benefits in the Municipal Employees Retirement System, effective on and after June 30, 1970. Effective October 1, 1978, under Act #788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B". Plan "A" combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan "B" participates in only the original plan. The Lake Charles City Court is a member of plan "B" of the retirement system. Historical trend information for this plan is included in the separately issued report for the Municipal Employees Retirement System for the period ended June 30, 2012.

Funding policy:

Plan members are required to contribute 5.00% of their annual covered salary and the Lake Charles City Court is required to contribute at a statutorily determined rate. The current rate is 8.00% of annual covered payroll. The contribution requirements of plan members and the Lake Charles City Court are established and may be amended by the Board of Trustees. The Lake Charles City Court contributions to the Municipal Employees Retirement System of Louisiana for 2012, 2011 and 2010 were \$6,478, \$5,474 and \$4,558, respectively, equal to the required contributions for each year.

9. Operating Leases

Operating lease - building:

The City Court of Lake Charles and the Housing Authority of the City of Lake Charles had a lease agreement for the year ended December 31, 2012. The City Court leased 13,181 square feet of the property located at 800 Bilbo Street, Lake Charles, Louisiana from the Housing Authority. A sum of \$5,272 assessed as monthly rent and 70% of the utilities required for the operation of the building were paid quarterly by the City Court. As of October 1, 2003, the City of Lake Charles, Louisiana began to pay the utilities for the City Court. Total payments for the years ended December 31, 2012 and 2011 were \$63,269 and \$63,269.

10. Louisiana Revised Statutes Concerning Mandated Fees

Louisiana Revised Statutes mandate fees to be assessed to each claim filed through the City Court Civil Section. The Judges are legally entitled to a portion of these fees. Louisiana Revised Statute 13:1874.1 limits the amount of salary legally of a City Court Judge to that not exceeding a District Court Judge of the Judicial District in which the City Court is located. Because the fees assessed amount to greater than the judges' salary expended, an overage has been created. The overage can be used by the judges as they deem proper, as long as the expenditures from the overage are not direct or indirect compensation to the judges. Once the fee is assessed and collected in the Agency Fund it is transferred to the Special Revenue Fund where the judges' salaries and retirement payments are expended.

11. Louisiana Revised Statutes Concerning Forfeited Deposits

Louisiana Revised Statute 13:1907 establishes whenever a surplus of filing fees and cost has accumulated in the City Court of Lake Charles civil fee account and such fee or cost has remained unclaimed in excess of five years, the City Court may transfer the amount of surplus to the general operational fund of the court upon receipt of evidence that notice has been provided or attempted at the last known address to the person who would be due a refund.

CITY COURT OF
LAKE CHARLES, LOUISIANA

REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2012

Required supplementary information includes financial information and disclosures that are required by GASB and are not considered a part of the basic financial statements. Such information includes:

- Budgetary comparison schedules - General Fund and Special Revenue Fund

CITY COURT OF LAKE CHARLES, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 GENERAL FUND BUDGET (GAAP BASIS) AND ACTUAL
 Years ended December 31, 2012

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Charges for services	\$ 85,000	\$ 90,000	\$ 87,735	\$ (2,265)
Court costs and fines	230,000	200,000	242,171	42,171
Interest income	3,000	3,000	3,120	120
Miscellaneous income	6,600	6,600	19,196	12,596
Judicial building collections	345,000	295,000	292,557	(2,443)
Total revenues	669,600	594,600	644,779	50,179
Expenditures:				
Bank service charges	130	130	99	31
Dues and subscriptions	6,500	6,500	6,419	81
Maintenance	3,500	3,500	3,646	(146)
Miscellaneous	11,725	12,125	11,553	572
Office expense	24,895	28,995	40,787	(11,792)
Professional development and training	53,560	53,575	52,652	923
Rent	66,965	66,657	66,657	-
Retirement	51,500	51,500	52,839	(1,339)
Salaries	120,000	110,000	108,430	1,570
Taxes - payroll	10,000	9,600	9,594	6
Telephone	7,000	7,000	6,978	22
Intergovernmental transfer	212,396	212,396	212,396	-
Capital outlay	26,300	26,300	11,823	14,477
Total expenditures	594,471	588,278	583,873	4,405
Excess (deficiency) of revenues over expenditures	75,129	6,322	60,906	54,584
Fund balances - beginning	2,960,851	2,960,851	2,960,851	-
Fund balances - ending	\$ 3,035,980	\$ 2,967,173	\$ 3,021,757	\$ 54,584

CITY COURT OF LAKE CHARLES, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 GENERAL FUND BUDGET (GAAP BASIS) AND ACTUAL
 Years ended December 31, 2011

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Charges for services	\$ 96,000	\$ 130,000	\$ 122,455	\$ (7,545)
Court costs and fines	167,000	230,000	287,713	57,713
Interest income	1,000	3,000	3,082	82
Miscellaneous income	19,200	8,250	7,962	(288)
Judicial building grant	-	750,000	750,000	-
Judicial building collections	279,000	400,000	382,635	(17,365)
Total revenues	<u>562,200</u>	<u>1,521,250</u>	<u>1,553,847</u>	<u>32,597</u>
Expenditures:				
Bank service charges	730	505	471	34
Dues and subscriptions	5,100	7,000	7,430	(430)
Maintenance	6,500	4,500	3,226	1,274
Miscellaneous	3,200	12,290	14,257	(1,967)
Office expense	21,660	37,440	28,025	9,415
Professional development and training	62,400	49,150	44,261	4,889
Rent	65,271	65,271	66,811	(1,540)
Retirement	28,300	42,500	42,484	16
Salaries	70,000	90,000	92,702	(2,702)
Taxes - payroll	6,400	8,700	8,714	(14)
Telephone	9,000	7,700	7,710	(10)
Intergovernmental transfer	-	210,000	210,000	-
Capital outlay	12,000	26,300	26,286	14
Total expenditures	<u>290,561</u>	<u>561,356</u>	<u>552,377</u>	<u>8,979</u>
Excess (deficiency) of revenues over expenditures	271,639	959,894	1,001,470	41,576
Fund balances - beginning	<u>1,959,381</u>	<u>1,959,381</u>	<u>1,959,381</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,231,020</u>	<u>\$ 2,919,275</u>	<u>\$ 2,960,851</u>	<u>\$ 41,576</u>

CITY COURT OF LAKE CHARLES, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 SPECIAL REVENUE FUND BUDGET (GAAP BASIS) AND ACTUAL
 Years Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 300,000	\$ 280,000	\$ 276,152	\$ (3,848)
Interest income	525	650	652	2
Miscellaneous	3,100	3,100	2,856	(244)
Total revenues	<u>303,625</u>	<u>283,750</u>	<u>279,660</u>	<u>(4,090)</u>
Expenditures:				
Dues and subscriptions	2,700	2,700	2,790	(90)
Miscellaneous	34,595	36,595	36,982	(387)
Office expense	16,185	17,911	14,117	3,794
Professional development and training	25	25	25	-
Salaries	139,223	139,223	139,223	-
Telephone	2,600	3,500	3,463	37
Capital outlay	8,300	8,300	10,759	(2,459)
Total expenditures	<u>203,628</u>	<u>208,254</u>	<u>207,359</u>	<u>895</u>
Excess (deficiency) of revenues over expenditures	99,997	75,496	72,301	(3,195)
Fund balances - beginning	<u>970,354</u>	<u>970,354</u>	<u>970,354</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,070,351</u>	<u>\$ 1,045,850</u>	<u>\$ 1,042,655</u>	<u>\$ (3,195)</u>

CITY COURT OF LAKE CHARLES, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 SPECIAL REVENUE FUND BUDGET (GAAP BASIS) AND ACTUAL
 Years Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 294,578	\$ 294,578	\$ 307,607	\$ 13,029
Interest income	321	321	298	(23)
Miscellaneous	2,970	2,970	3,093	123
Total revenues	<u>297,869</u>	<u>297,869</u>	<u>310,998</u>	<u>13,129</u>
Expenditures:				
Bank service charges	250	-	-	-
Dues and subscriptions	1,105	3,000	2,835	165
Maintenance	477	-	-	-
Miscellaneous	26,795	36,310	36,298	12
Office expense	1,133	3,060	3,007	53
Professional development and training	25	25	25	-
Salaries	133,227	133,227	137,584	(4,357)
Telephone	2,918	1,600	1,587	13
Capital outlay	-	8,000	8,266	(266)
Total expenditures	<u>165,930</u>	<u>185,222</u>	<u>189,602</u>	<u>(4,380)</u>
Excess (deficiency) of revenues over expenditures	131,939	112,647	121,396	8,749
Fund balances - beginning	<u>848,958</u>	<u>848,958</u>	<u>848,958</u>	<u>-</u>
Fund balances - ending	<u>\$ 980,897</u>	<u>\$ 961,605</u>	<u>\$ 970,354</u>	<u>\$ 8,749</u>

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CFE - Certified Fraud Examiner
CFP - Certified Financial Forensics
MT - Masters of Taxation
CVA - Certified Valuation Analyst
CFP - Certified Financial Planner

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable John S. Hood
Honorable Thomas P. Quirk
City Court of Lake Charles
Lake Charles, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the City Court of Lake Charles, Louisiana (City Court), a component unit of the City of Lake Charles, Louisiana, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively compromise the City Court of Lake Charles, Louisiana's basic financial statements, and have issued our report thereon dated June 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City Court's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City Court's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no

assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. 2012-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as item 2012-02.

City Court's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City Court's response and, accordingly, we express no opinion on it.

Purpose of This Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Governmental Audit Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Ms Elroy Quirk & Burch

Lake Charles, Louisiana
June 26, 2013

CITY COURT OF
LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2012

We have audited the financial statements of the City Court of Lake Charles, Louisiana as of and for the year ended December 31, 2012, and have issued our report thereon dated June 26, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2012 resulted in an unqualified opinion.

Section I - Summary of Auditor's Results

Report on Internal Control and Compliance Material to the Financial Statements

Internal control

Material weaknesses	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Other conditions	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Compliance

Compliance material to financial statements	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
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CITY COURT OF
LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2012
(Continued)

Section II - Financial Statement Findings

2012-01

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Condition: Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Effect: Without proper segregation of duties, errors within the financial records or fraud could go undetected.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

This condition was also reported as a result of the prior year's audit.

Response: Management has responded that it does not believe that it is cost effective to employ adequate personnel to achieve an adequate level of segregation of responsibilities. Management has implemented supervision and review procedures such as review and approval of supporting documents related to expenditures and periodic review of bank reconciliations.

CITY COURT OF
LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2012
(Continued)

2012-02

Criteria:	Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value.
Condition:	Deposits in excess of federally insured amounts were not fully collateralized at year end.
Effect:	Without adequate collateral, the deposits are subject to deposit risk.
Recommendation:	Management should ensure that all deposits in excess of federally insured amounts are collateralized.
Response:	This issue was immediately correct after year end.

CITY COURT OF
LAKE CHARLES, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2012

2011-01

Condition: Effective internal control requires adequate segregation of duties among client personnel. Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Current status: See current year reportable condition 2012-01.

2011-02

Condition: Deposits in excess of federally insured amounts were not fully collateralized at year end.

Recommendation: Management should ensure that all deposits in excess of federally insured amounts are collateralized.

Current status: See current year finding 2012-02.